

VZCZCXRO1593
RR RUEHMA RUEHPA
DE RUEHOS #0764 3370601
ZNR UUUUU ZZH
R 030601Z DEC 07
FM AMCONSUL LAGOS
TO RUEHC/SECSTATE WASHDC 9629
INFO RUEHZK/ECOWAS COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 9375
RHEFDIA/DIA WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHDC
RHMCSUU/DEPT OF ENERGY WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS LAGOS 000764

SIPDIS

SENSITIVE BUT UNCLASSIFIED - HANDLE ACCORDINGLY
SIPDIS

STATE FOR AF/W
TREASURY FOR DPETERS, RHALL, RABDULRAZAK
ENERGY FOR PERSON, GAY
COMMERCE FOR KBURRESS
STATE PASS USTR FOR LISER, AGAMA
STATE PASS OPIC FOR ZHAN, MSTUCKART, JEDWARDS
STATE PASS TDA FOR EEBONG, DSHUSTER
STATE PASS EXIM FOR JRICHTER
STATE PASS USAID FOR NFREEMAN, GBERTOLIN

E.O. 12958: N/A

TAGS: [EINV](#) [EIND](#) [EFIN](#) [ENRG](#) [NI](#)

SUBJECT: NIGERIA: ENERGY, OTHER SECTORS HAMPERED BY
BUSINESS CLIMATE

¶1. (U) Summary: Representatives from an international investment firm expressed optimism about the Nigerian market but cautioned that volatility in all sectors hampers further growth. Continued stable economic growth, in their opinion, depends on the growth of the (nonvolatile) retail sector. Progress in the power sector remains stalled. End Summary.

OVERALL BUSINESS CLIMATE CHALLENGING

¶2. (SBU) During a November 16 meeting in Lagos with EconCouns, Funke Okubadejo and Abubakar Momodu of the international private equity firm Actis discussed the challenges of investing in Nigeria. Actis, which specializes in emerging markets around the world, provides equity capital for buyouts, general business development and project finance transactions in real estate and infrastructure. Okubadejo discussed the overall investment climate in Nigeria and noted that often Actis deals with unsophisticated business owners who don't know their own sector. The lack of infrastructure drives up producers' cost of production, making their products less competitive. While some funds do offer financing for business owners, according to Okubadejo, the solid investment opportunities the funds seek are often lacking. Banks do have the skills to make investments, but often political interference complicates the businesses' growth and development, she said. Nonetheless, growth opportunities clearly exist, with Momodu noting that the Nigerian GSM (global system for mobile communications) market exceeded growth projections by 100 percent.

POWER SECTOR STRUGGLING IN CURRENT CLIMATE

¶3. (SBU) On the subject of independent power projects (IPPs), Okubadejo and Momodu said that, despite the privatization resulting from the Electric Power Sector Reform Act of 2005, most new generation and distribution projects are stalled - including the IPP in which Actis is invested. Although the

demand for power across the country is enormous, companies that seek to do business in the electricity sector face long negotiations, murky pricing policies and difficulties in arranging local bank financing.

14. (U) The instability of the investment arena, exacerbated by high energy prices, uncertain business outlooks, and a stumbling infrastructure, makes investors hesitant to enter the Nigerian market. Stable industries, such as retail, could provide a counterbalance to the uncertainty present elsewhere, Okubadejo said.

15. (U) This cable has been coordinated with Embassy Abuja.

HUTCHINSON